



Monthly Economic Brief

April 2023

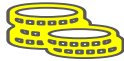


HIGHLIGHTS



Growth Outlook

2023 growth forecast revised down from 2.8% to 2.5%.



Digital Gold

The Reserve Bank introduced gold-backed digital coins/tokens



Consumer Prices

Average consumer prices increased by 2.4% in April '23



7.32%

The ZSE all-share index added 7.32% in April 2023, driving year to date gains to 112.33%.

Growth outlook revised down

The IMF warned that global growth for 2023 is likely to slow to its lowest since 2001, except for the global financial crisis era. The IMF also predicts inflationary pressures higher than seen in several decades. Global growth is projected to close 2023 at 2.8%, down from 3.4% in 2022 and 6.0% in 2021. Despite the apparent downtrend, growth remains positive.

The IMF notes a key risk to the outlook emanating from financial sector stresses in advanced economies. Consequently, the Fund prescribes that policymakers maintain a tight stance on monetary policy, 'allowing for targeted support where the situation necessitates'.

On Zimbabwe, the Fund predicts real economic output, as proxied by GDP, to grow by 2.5% in 2023. The 2023 forecast is a downward revision from an October 2022 forecast of 2.8%. It is also a noteworthy decline from the 2022 growth estimate of 3%. The Fund predicts Zimbabwe's inflation to close the year at 181.8%, down from 243.8% last year.

Skating on thin ice...

Monetary policy fragility dominated macro-economic themes during the period under review. A phase of aggressive exchange rate depreciation and (real-feel) inflation triggered the reaction of policymakers. Minister of Finance Hon. Prof. Mthuli Ncube reportedly warned that there was scope for interest rates to be revised up towards an earlier peak of 200% 'and beyond'. Such a measure would be a policy reversal following relative loosening,

as the benchmark interest rate had been revised down twice in 2023. At 140%, Zimbabwe currently holds the world's highest benchmark policy rate; with monetary authorities signalling a commitment to rein in inflation and local currency depreciation.

Gold-Backed Digital Currency

The Reserve Bank of Zimbabwe introduced gold-backed digital coins/tokens as a countermeasure against excess inflation and depreciation pressures. The digital coins will be issued in two phases. Phase one issuance seems inclined towards an investment asset: with features such as a 180-day vesting period, currency convertibility, liquid and prescribed asset status ascription.

In addition to its value proposition as an investment instrument, the gold-backed digital coin mitigates against the security risks associated with holding physical coins. The digital form also allows for enhanced divisibility. On the other hand, not holding the physical coins presents a counterparty risk. This is the risk of the Central Bank struggling to honour its obligations.

Consumer prices firmed 2.4% in April 2023

Official month-on-month (weighted) inflation increased from 0.13% in March 2023 to 2.4% in April 2023. On a year-on-year basis, official inflation shows a 75.2% increase in the average consumer basket between April 2022 and April 2023. In the prior month, year-on-year inflation was estimated at 87.6%. Between December 2022 and April 2023, the average consumer basket on

the same weighted inflation index is estimated to have increased by 1.59%.

The poverty datum line (PDL), which indicates the minimum monthly amount required to meet an individual's basic needs, increased by 10.97% in April 2023. It closed April 2023 at ZWL\$33,044. Resultantly, the year-on-year and year-to-date PDL movements closed April 2023 at 190.8% and 13.1%, respectively.

US\$ closed softer against most currencies

The United States Dollar (US\$) was under pressure against most trading currencies in April 2023. Consequently, the US\$ Index (DXY) dropped to a 2023 year-to-date low during the month under review. Going forward, US\$ direction is anchored on the United States Federal Reserve Bank's commitment to continue tightening monetary policy by hiking interest rates. As of April 2023, the market seemed to be pricing in a potential easing of policy.

Against the ZWL\$, the otherwise soft US\$ registered significant gains. The ZWL\$ depreciated by 11.2% to ZWL\$1,047 per US\$ during the month under review. The ZWL\$ was trading at ZWL\$929.86 per US\$ in the prior month. In April 2022, it was trading at ZWL\$159.35. Continued ZWL\$ depreciation presents cost-push inflation pressures on imported products and services.

Soft US\$ propped commodities demand

International commodity prices closed the month under review predominantly positive. Gains were most noticeable among hard commodities as captured below.

Commodity	Apr'23	M-o-M	YTD
Crude Oil (USD/bbl)	79.54	0.06%	-4.28%
Gold (USD/oz)	1,990.00	0.45%	9.43%
Platinum (USD/oz)	1,078.31	9.18%	1.53%
Nickel (USD/ton)	23,760.00	2.57%	-20.67%
Maize (USD/ton)	230.30	-10.00%	-13.84%
Wheat (USD/ton)	633.75	-7.99%	-17.96%
Sugar (USc/lb)	26.35	20.71%	30.54%
Cotton (USc/lb)	80.80	-3.27%	-3.35%

Hard commodity prices were supported by a relatively soft US\$, which made US\$-denominated prices affordable in alternative currency terms. Gold remained defensive amid a generalized vulnerability across advanced economies. Soft commodities closed weaker, except for sugar - buoyed by supply constraints in the world's largest exporter, Brazil.

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ZSE listed equities on the front foot

Listed equities on the ZWL\$ denominated ZSE closed in the positive. The All-Share index was up 7% during the month under review, extending year to date gains to 112.3%, as shown below.

Sector	Apr'23	M-o-M	YTD
ZSE All Share	41,392	7.32%	112.33%
ZSE Top 10	23,764	2.95%	93.03%
ZSE Medium Cap	91,349	21.30%	149.30%
ZSE Market Cap (ZWL\$ trn)	3.5	2.99%	70.30%

Overall, the market performance on the ZSE was positive, with support across all major indices. The tables below highlight the ZSE top and bottom performing stocks for April 2023.

Top 3	Apr'23	M-o-M	YTD
BAT	680,000	107.36%	142.93%
Proplastics Limited	17,700	86.32%	436.63%
Rainbow Tourism Group	2,262	67.59%	155.07%

Bottom 3	Apr'23	M-o-M	YTD
OK Zimbabwe Limited	5,816	-13.14%	79.94%
ART	2,583	-10.92%	84.52%
Seed Co Limited	20,000	-8.00%	168.38%

ZSE total turnover increased by 17% to ZWL\$16.76 million during the month. Foreign investors remained net sellers on the ZSE, with net sales of ZWL\$7.2 billion, up 231% from ZWL\$2.2 billion in the prior month.

The US\$-denominated VFEX All Share Index retreated 5.6% in April 2023. Performance of the VFEX is summarised below;

VFEX	Apr'23	M-o-M	YTD
All Share Index	86.62	-5.60%	-12.56%
Market Cap (US\$ bln)	1.05	6.62%	87.04%

VFEX turnover increased by 64% to US\$1.6 million, compared to US\$974,425 realised in March 2023. Overall, VFEX market capitalization closed at US\$1.1 billion, up 6.6% from the prior month and 87% on a year-to-date basis on firming activity.

Economic Outlook

The pace and magnitude of policy fragility has notably intensified. Macro-economic vulnerability is likely to deepen further towards general elections. Nonetheless, there is still a generalized sense of resilience, suggesting enough room to avert an implosion. The concomitant risk anchors on aggressive and increasingly unorthodox policy measures. We expect more of the same.